



Committee report

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| Committee | CABINET |
| Date | TUESDAY, 17 SEPTEMBER 2013 |
| Title | THE POSSIBLE DISPOSAL OF LAND AT STAG LANE, NEWPORT UNDER SPECIAL PURCHASER ARRANGEMENTS |
| Report to | CABINET MEMBER FOR RESOURCES AND CABINET MEMBER FOR TOURISM AND THE ECONOMY |

EXECUTIVE SUMMARY

1. This paper seeks approval for the council to negotiate with Vestas Technology UK as a special purchaser for its land holding at Stag Lane, Newport. Vestas Technology UK is developing plans to extend its Island based operation which will result in an increase in the number of jobs with it. In order to progress these plans within the company it needs the security of being appointed as special purchaser for the land at Stag Lane.
2. Any final terms of sale agreed with the Vestas Technology UK would be subject to a further Cabinet report and final confirmation by the council to ensure it achieves best consideration from the disposal.

BACKGROUND

3. Stag Lane tip is a former municipal landfill site located approximately 1.5 miles directly north of Newport town centre adjacent the Newport to Cowes cycleway. Vehicular access is via Stag Lane.
4. The tip comprises a former clay pit varying in depth from 2m to approximately 17m; filling with waste materials commenced circa the 1950's. No exact records appear to exist regarding the nature of the waste deposited, but it is known to contain household waste (which was pulverised in later years) and consignments of animal carcasses from veterinary practices and other animal wastes from local abattoirs. The site was authorised to accept construction and demolition waste, household and commercial waste, industrial, non-hazardous, inert and non-flammable waste. However, subsequent licenses also authorised fuel oils, clinical waste, mechanical road sweeper and gully waste and oily contaminated water. In later years the site also received various construction wastes, principally as clay capping forming the top layer of the tip in places.
5. It has been estimated that approximately 600,000m³ of waste is contained within the tip, although the split of types and quantities of waste material is unknown. Landfill ceased on the site in the late 1980's.

6. The site has a rudimentary system of containment ponds for managing the water on site that may contain elements from the on-site landfill (leachate). In the past leachate was pumped from the containment ponds back onto the landfill whereupon it was contained on the site through attenuation on the surface and evaporation.
7. As landfill ceased some time ago and the council has resolved not to use the site for further waste disposal the landfill licence has been closed meaning that no further waste can be deposited. However, a waste management licence is in place to regulate the continuing maintenance and monitoring of the site. Normally upon closure of a landfill site a restoration strategy is developed for approval by the Environment Agency. This has not yet been undertaken for the Stag Lane tip and only limited monitoring of the landfill has been carried out since its closure.
8. Vestas Technology UK own the site known as West Medina Mills which is immediately adjacent to the Stag Lane tip. This is Vestas' UK headquarters for research and development which was developed at a cost of some £50 million with support from the then South East England Regional Development Agency (SEEDA).
9. Vestas Technology UK has 220 permanent employees on the Isle of Wight. The site undertakes research and development into all aspects of wind turbine technology, but specialises in blades. Its test facility consists of two test halls both 170 m long and 50 m wide. One hall is for blade test and verification and one hall is for manufacturing blade prototypes. The original Vestas factory sites that were decommissioned in 2009 have been fully converted into the R&D technology activities and are now a prototyping centre for onshore wind turbine components.
10. As a closed landfill site that has yet to undergo a restoration process only limited development potential had been considered in respect of the re-use of the former tip land. However, following the development of the Vestas facility and the associated improvements to Stag Lane itself a number of parties involved in one way or another with renewable technologies expressed an interest in bringing forward development proposals for this site.
11. As a consequence in 2010 the council undertook a restrictive marketing exercise inviting proposals from suitably experienced companies for the use of the site for activities connected with the production of renewable energies. Real Ventures were appointed as preferred bidder to use the site for the development of a new forty nine megawatt (MW) biomass plant. Notwithstanding a number of time extensions to its position as preferred bidder Real Ventures was unable to develop its proposal for the site and it formally withdrew from its preferred bidder status in June 2013.
12. Following the publicity surrounding the withdrawal of Real Ventures the council was approached by Vestas Technology UK which is seeking to explore the possibility of acquiring the site in order to expand its activities on the Island. Such an expansion would rely on the support from its parent company but the starting point for it in these discussions would be in acquiring the status of special purchaser and in understanding the terms on which the council would be prepared to dispose the site.

13. It would be normal practice for the Council to market the site for disposal to ensure that it receives the best consideration for it through a competitive process. Ultimately the value of the site will depend on the price that possible purchasers are willing to pay; this in itself will be determined by prevailing market conditions at the time of marketing. It could however be considered that the restricted marketing exercise undertaken in 2010 was a competitive process which was unsuccessful in realising the council's aspirations for its development and opening up the possibility for the council to consider other options for the site's development.
14. The council does make provision for dealing with a single bidder for a site where that bidder falls within the definition of a 'Special Purchaser' as defined by the Royal Institution of Chartered Surveyors (RICS). "A purchaser to whom a particular asset has a special value because of the advantages arising from its ownership that would not be available to general purchasers in the market."
15. When an organisation that meets this definition of special purchaser and the council agrees to negotiate with it then it is the council's practice to obtain two independent valuations of the asset. The cost of these valuations being met by the prospective special purchaser. This helps the council to ensure that it would be receiving the 'best consideration' for the site should the special purchaser be willing to pay the value of the site as assessed by the independent valuations.
16. The best consideration the council may receive for a site does not necessarily have to be only defined in monetary terms. The council may wish to achieve some social or other benefits from the disposal of a site and could seek to impose restrictive covenants on a purchaser to ensure that such benefits are achieved. The overall value of these benefits can however only be based on a clear understanding of the financial value of the site as determined by a proper valuation.
17. Vestas Technology UK would appear to fall within this definition of special purchaser and it has asked that the council agree to treat with it in this capacity in relation to its possible acquisition of the Stag Lane site. Once it has acquired the status of special purchaser site officers will be in a position to negotiate the terms of a possible disposal with it and it will be able to proceed with funding the required independent valuations of the site.

STRATEGIC CONTEXT

18. The appointment of Vestas Technology UK as a special purchaser for the Stag Lane site is consistent with meeting the challenges set out in the "Framework for Change" which Full Council agreed should be used as the basis for developing the council's new corporate plan. The recommendation in this paper would help to ensure that an, *"existing company[ies] and enterprise[s] not only have a future here but seek to grow their businesses on the Island"*.

CONSULTATION

19. Initial consultation has been undertaken with Vestas Technology UK in order to understand its development plans and the likelihood of their delivery. Further detailed and wider consultation in respect of the possible terms of the disposal will take place with local members and Newport Parish Council once officers have the authority to negotiate with Vestas Technology UK.

FINANCIAL / BUDGET IMPLICATIONS

20. The site comprises a former municipal tip which is owned and managed by the Isle of Wight Council, but for which the council has no restoration plan nor does it have any budget for remediation of the site sufficient for regeneration or redevelopment purposes. One of the principal reasons for marketing the site in 2010 was to establish whether there were any parties prepared to take on the liability of land remediation, which is likely to be extremely costly, as part of their development proposals.
21. Previous estimates for removal of contaminated waste material (circa 35,000 m³ from only half of the site) for remediation purposes were between £3.5 million and £5 million.
22. Any development of the site will require new Environment Agency licences and these will only be granted if detailed remediation is undertaken in accordance with its requirements.
23. The independent valuations required for the site will be funded by Vestas Technology UK. If terms are agreed for the sale of the site then the council may receive a capital receipt from it although any land transaction will reflect the cost of remediating the site and these costs are likely to outweigh any inherent land value
24. All of the costs of the site investigations that Vestas Technology UK will need to undertake will be its own cost and risk. It may however be able to acquire the results of studies already undertaken on the site by Real Ventures but this would be a matter to be agreed between the two parties without the involvement of the council.

LEGAL IMPLICATIONS

25. The council has the power to dispose of property under section 123 of the Local Government Act 1972 which requires it to achieve 'best consideration' in any disposal.
26. Best consideration does not necessarily mean the highest price achievable. It can also be obtained from other additional benefits generated by and for the local community from the disposal provided that the Council observes its fiduciary responsibilities and protects the interests of the community and itself in the transaction.

EQUALITY AND DIVERSITY

27. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The proposal in this report has no direct impact on those with protected characteristics.

CARBON EMISSIONS

28. There are no direct implications for the council's Carbon Management Plan arising from the recommendations in this paper. If the land is developed as there may be an increase in the Island's overall carbon footprint.

OPTIONS

29. The following options are offered for members' consideration
- (i) Agree to Vestas Technology UK being treated as a special purchaser for the council owned land at Stag Lane, Newport.
 - (ii) Not agree to Vestas Technology UK being treated as a special purchaser for the council owned land at Stag Lane, Newport.
 - (iii) Offer the council owned land at Stag Lane, Newport for sale on the open market and to undertake an appropriate marketing exercise for the site.
 - (iv) Wait until market conditions improve before beginning any process to dispose of the council owned land at Stag Lane, Newport.

RISK MANAGEMENT

30. If the council does not agree to the proposed special purchaser status there is a high risk that the possible new jobs that may be created by Vestas Technology UK in developing the site would not be achieved. The overall economic benefit to the Island that could be achieved through these jobs would also be lost. It is possible that another organisation may seek to develop the site and produce the same level of benefits but this could only be confirmed following a further marketing exercise for the site. That having been said the difficulties experienced by Real Ventures in realising its development proposals for the site could be taken as an indication of the degree of difficulty associated with its development which may be a significant barrier to other parties considering bidding for the site.
31. There is a risk that the council may receive a higher consideration for the land if it were to offer it for sale on the open market. The valuations of the site that will inform the final sale agreement with Vestas Technology UK, will ensure that the council is fully aware of the site's value in reaching an agreement. Given the difficulties of remediation and that no other recent approaches have been made for the site it is felt unlikely that a better offer could be achieved through the open market.
32. If the site is offered to the open market there is a risk that Vestas Technology UK will not be able to proceed on this basis as the effort in responding to the marketing exercise may detract from demonstrating the value of its expansion plans to the parent company. The expansion may therefore take place at another site in the UK or another country.
33. Waiting for an improvement in overall land values on the Island may lead to the council receiving a higher capital receipt for the land than it will be likely to receive currently. The risk is in waiting for an upturn in the land values as there can be no certainty when this may come and the loss of potential new jobs to the island with consequent boost in the economy that would follow. It is also possible that, given the nature of the site, it would not benefit from a general increase in land values.
34. There remains the risk that even if the council agrees to the special purchaser arrangements with Vestas Technology UK it may not be able to agree terms for the sale of the land with it that offers best consideration for the council (and the Island).

35. There is a risk that the requirements of the Environment Agency for extensive ground monitoring and risk assessments in order to produce appropriate plans for the remediation and development of the site for regeneration makes the site unusable for these purposes. This can only be determined however, once a developer has undertaken all of these works and reached agreement with the Environment Agency in respect of a scheme. If terms were to be agreed with Vestas Technology UK the costs of reaching such an agreement would be borne by it but may fall to the council if another approach was to be taken to the development of the site.
36. Although there was some other interest in the site when it was marketed in 2010 for renewable energy purposes there is a risk that no other parties would be interested in the site if it were to be offered on the open market. The difficulties in meeting the Environment Agency's requirements tend to a risk of finding other parties that would be interested in developing the site for similar purposes.
37. There is a risk that if the council is unable to secure an alternative use of the site it will need to undertake some works to ensure that it limits its on-going liabilities in respect of a closed former tip site.

EVALUATION

38. A decision to agree to the proposed special purchaser arrangements does not commit the council to the sale of the land to the Vestas Technology UK. It does however give it the confidence that the council will work with it to achieve the sale subject to suitable terms being agreed which ensure the Council receives best consideration for the site. The final terms of the disposal will need to be confirmed by a further Cabinet decision once they have been agreed.
39. One of the many issues the council will need to take into account in reaching any agreement with the Vestas Technology UK is the deliverability of its expansion plans and their likely impact on both the supply of jobs on the Island and the Island's overall economic prosperity. The council will need to be assured that both are deliverable and within reasonable timescales and may wish to condition the sale to ensure that the development is achieved. Such conditions may reduce the overall capital receipt the council is able to realise from the disposal of the land. A decision on the 'cost' to the council of securing these economic benefits for the Island can only be fully assessed once a valuation for the site has been achieved and the Vestas Technology UK has set out what it is committed to delivering in its expansion plans.
40. It is clear from the work undertaken by Real Ventures that the regeneration of this site is complicated and driven by the need to satisfy the Environment Agency that there is a suitable plan for managing the issues that arise from developing a closed former tip. Any party, including the council, will have to overcome these complications; Vestas Technology UK is aware of this issues and remains keen to consider its development options on the site. If achievable its development of the site will see an economic benefit to the Island and the council will be relieved of its obligations in the management of a closed land fill tip.

RECOMMENDATION

41. That option (i) be adopted and the council:

Agree to Vestas Technology UK being treated as a special purchaser for the council owned land at Stag Lane, Newport.

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